

Service Date: May 27, 1982

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of       )  
PACIFIC POWER AND LIGHT COMPANY for       ) UTILITY DIVISION  
Authority to Adopt New Rates and            ) DOCKET NO. 81.9.81  
Charges for Electric Service Reflec-        ) ORDER NO. 4843b  
ting Regional Act Power Exchange.         )

FINDINGS OF FACT

1. On September 18, 1981, the Pacific Power and Light Company (Company or PP&L) filed with the Montana Public Service Commission an application for authority to adopt new rates and charges for electric service furnished in the State of Montana. The application was assigned Docket No. 81.9.81.

2. The Company's proposal reflects the provisions of an exchange agreement with the Bonneville Power Administration per the Pacific Northwest Electric Power Planning and Conservation Act, whereby the Company is allowed to pass exchange cost savings to the Company's qualifying domestic load in the form of a billing credit -- Schedule 98.

3. On October 1, 1981, the Commission issued Order No. 4843, granting interim authority to the Company to implement Schedule 98.

4. On January 18, 1982, the Montana Public Service Commission issued Order No. 4881, in Docket No. 81.8.70 granting the Company interim revenue relief of \$1,553,000.

5. On January 20, 1982, the Commission issued Order No.

4843a, which directed the Company to file an interim Schedule 98 structured to reflect the interim revenues granted in Docket No. 81.8.70.

6. Pursuant to proper notice, a hearing was commenced on February 9, 1982 at Kalispell, Montana.

7. The Company sponsored the prefiled testimony of Messrs. Watson and Sloan (Exhibits 9T, 10T, 25T and 26T), which provides the Company's calculations of Average System Cost and resulting Schedule 98 billing credit.

8. The Commission finds that the Company's calculations and resulting billing credit properly reflect the provisions of the exchange agreement, with the following exception.

9. On April 23, 1982, the Commission received a copy of, Bonneville Power Administration's (BPA) audit, dated March 29, 1982, which determined PP&L's Average System Cost (ASC). PP&L had previously submitted to BPA that its ASC was 20.18 Mills/Kwh. BPA, however, used a somewhat different methodology and determined PP&L's ASC to be 20.60 Mills/Kwh. As a result of the differences between the methodologies used by BPA and PP&L to determine Average System Cost, a balance exists as an under payment on PP&L's books in the amount of \$23,338 as of December 31, 1981. The balance in this account has been steadily increasing since October 1, 1981.

10. On October 1, 1981, the FERC amended its rules that govern the sale of electric power (18 C.F.R. Part 35) with an Interim Rule in Docket No. RM81-41 which concerns Average System Cost Methodology (ASCM). In Exhibit C, page 5, Part E of Section IV (Bonneville Review Process), the Interim Rule states the following:

"If Bonneville determines that the ASC computed by the Utility in Appendix 1 was excessive or inadequate, the injured party shall recover the excess or deficiency with interest which shall be computed from time to time on the outstanding balance at the rate or rates of interest charged to Bonneville by the U.S. Treasury during the period unless another form of refund is ordered by the Joint State Board, the FERC, or a reviewing court. If a final order of the Joint State Board, the FERC or a reviewing court revises Bonneville's ASC determination, the difference between this revised ASC and the ASC determined by Bonneville, together with the interest at the above rate, shall be paid to the party entitled thereto by the other party, unless another interest rate is so ordered."

11. The Company proposed the following:

'All amounts applicable to the over or under statement of the benefits resulting from the exchange of energy with BPA, as defined by the Regional Act, which were charged to Account 253, "Other Deferred Credits," shall be included in rate base for rate making purposes... The rate of return found to be fair and reasonable with respect to other rate base items shall be applied to the over or under statement of qualifying Montana ratepayer benefits related rate base " (PP&L Exhibit No. 9T, p. 7).

12. The Commission finds that rate base treatment of this "underpayment" account is incorrect and shall not be applied. Rate base applies to all customers of PP&L, but Schedule 98 pertains only to residential and small farm customers. The Commission finds the following decisions to be appropriate concerning this issue:

1) As of May 27, 1982, PP&L must calculate, thereafter, its ASC by administering the methodology used by BPA in its ASC analysis of PP&L issued on March 29, 1982.

2) PP&L must recalculate the total dollars credit for Schedule 98 from the period October 1, 1981 to May 27, 1982.

3) In the aforementioned calculation, PP&L must calculate the amount of interest involved, using as its interest percentage figure the rate of interest charged to Bonneville by the U.S. Treasury during the period.

4) The amount of "underpayment plus related interest for the period October 1, 1981 to May 27, 1982 must be flowed through to Montana customers on Schedule 98 from October 1, 1982 to May 27, 1983.

13. The Company is directed to file a revised Schedule 98 billing credit, reflecting the methodology and procedure approved herein. The billing credit shall reflect the revenues granted in Order Nos. 4881a and 4832a, Docket Nos. 81.8.70 and 81.7.66 respectively. Schedule 98 shall be made effective simultaneous with tariffs resulting from those Orders.

#### CONCLUSIONS OF LAW

1. Applicant, Pacific Power & Light Company, is a corporation providing electric service within the State of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises

jurisdiction over the Applicant's Montana operations pursuant to Title 69, Chapter 3, MCA.

ORDER

THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The Applicant, Pacific Power & Light Company is hereby granted authority to implement a modified rate credit in the manner described in the Findings of Fact portion of this Order.

DONE IN OPEN SESSION this 24th day of May, 1982 by a vote of 4 -0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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GORDON E. BOLLINGER, Chairman

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JOHN B. DRISCOLL, Commissioner

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HOWARD L. ELLIS, Commissioner

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THOMAS J. SCHNEIDER, Commissioner

ATTEST:

Madeline L. Cottrill  
Commission Secretary  
(SEAL)

NOTE: You may be entitled to judicial review of the final decision in this matter. If no Motion for Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion for Reconsideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp. Sec. 2-4-702, MCA; and Commission Rules of Practice

and Procedure, esp. 38.2.4806 ARM.